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BAIOO Family Interactive Limited **百 奧 家 庭 互 動 有 限 公 司**

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2100)

(1) GRANT OF RESTRICTED SHARE UNITS **(2) NON-EXEMPT CONNECTED TRANSACTION —** **PROPOSED GRANT OF RESTRICTED SHARE UNITS** **TO A CHIEF EXECUTIVE OF THE COMPANY**

- (1) The Board announces that on 10 July 2015, the Company granted RSUs representing an aggregate of 65,780,000 Shares to 110 Grantees, pursuant to the Company's Post-IPO RSU Scheme.
- (2) On 10 July 2015, the Board also resolved to conditionally grant 30,000,000 RSUs to Dr. XU Gang in accordance with the terms of the Post-IPO RSU Scheme. As Dr. XU Gang is a chief executive of the Company, and therefore a connected person, the Proposed RSU Grant to Chief Executive constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and the Independent Shareholders' approval requirements.

(1) GRANT OF RESTRICTED SHARE UNITS

Reference is made to the post-IPO restricted share unit scheme (the "**Post-IPO RSU Scheme**") adopted by BAIOO Family Interactive Limited (the "**Company**", together with its subsidiaries and PRC operating entity, the "**Group**"), which took effect on 10 April 2014 and further amended by the resolution at the Company's annual general meeting of the Company on 19 June 2015 (the "**AGM**"). The Post-IPO RSU Scheme aims to attract and incentivize persons who contribute to the operation and development of the Company. Details of the Post-IPO RSU Scheme and RSUs granted thereunder are set out in the prospectus of the Company dated 28 March 2014, the 2013 and 2014 annual reports of the Company, the circular of the Company dated 24 April 2015 and the supplementary circular of the Company dated 14 May 2015. The Post-IPO RSU Scheme is not subject to the provisions of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company announces that on 10 July 2015, the Company granted 65,780,000 restricted share units (the “**RSU(s)**”) (the “**Granted RSUs**”) to a total of 110 employees and officers of the Group (the “**Grantees**”), representing an aggregate of 65,780,000 ordinary shares in nominal value of US\$0.0000005 each of the Company (the “**Shares**”). The underlying Shares involved by the Granted RSUs represent approximately 2.34% of the issued share capital of the Company as at the date of this announcement. The Grantees of the RSUs are not required to pay for the grant of any RSUs under the Post-IPO RSU Scheme or for the exercise of the Granted RSUs. Details of the Granted RSUs are as follows:

Date of grant	Vesting schedule	Number of RSUs granted	Number of underlying Shares involved
10 July 2015	(1) as to 20% of the RSUs on 21 November 2015	15,100,000	15,100,000
	(2) as to 20% of the RSUs on 21 November 2016		
	(3) as to 30% of the RSUs on a quarterly basis from 21 November 2016 to 21 November 2017		
	(4) as to 30% of the RSUs on a quarterly basis from 21 November 2017 to 21 November 2018		

Date of grant	Vesting schedule	Number of RSUs granted	Number of underlying Shares involved
10 July 2015	(1) as to 20% of the RSUs on 26 March 2016	2,000,000	2,000,000
	(2) as to 20% of the RSUs on 26 March 2017		
	(3) as to 30% of the RSUs on a quarterly basis from 26 March 2017 to 26 March 2018		
	(4) as to 30% of the RSUs on a quarterly basis from 26 March 2018 to 26 March 2019		
10 July 2015	(1) as to 20% of the RSUs on 20 April 2016	3,000,000	3,000,000
	(2) as to 20% of the RSUs on 20 April 2017		
	(3) as to 30% of the RSUs on a quarterly basis from 20 April 2017 to 20 April 2018		
	(4) as to 30% of the RSUs on a quarterly basis from 20 April 2018 to 20 April 2019		

Date of grant	Vesting schedule	Number of RSUs granted	Number of underlying Shares involved
10 July 2015	(1) as to 20% of the RSUs on 10 July 2016	45,680,000	45,680,000
	(2) as to 20% of the RSUs on 10 July 2017		
	(3) as to 30% of the RSUs on a quarterly basis from 10 July 2017 to 10 July 2018		
	(4) as to 30% of the RSUs on a quarterly basis from 10 July 2018 to 10 July 2019		
Total		65,780,000	65,780,000

In addition, on the same date, the Board conditionally granted 30,000,000 RSUs to the chief executive officer of the Company, details of which are as follows:

Name of grantee	Number of RSUs held immediately before this grant of RSUs	Vesting schedule	Number of RSUs granted	Number of underlying Shares involved
Dr. XU Gang <i>(Chief executive officer)</i>	Nil	(1) as to 20% of the RSUs on 5 March 2016	30,000,000	30,000,000
		(2) as to 20% of the RSUs on 5 March 2017		
		(3) as to 30% of the RSUs on a quarterly basis from 5 March 2017 to 5 March 2018		
		(4) as to 30% of the RSUs on a quarterly basis from 5 March 2018 to 5 March 2019		

Save as above, none of the RSU Grantees is a Director or a substantial shareholder of the Company, or a connected person or its associate (as defined in the Listing Rules) of the Group.

The new Shares in relation to the grant of the RSUs to the 110 Grantees and Dr. Xu Gang (the “**Proposed RSU Grant**”) as mentioned in this announcement will be issued under the specific mandate (the “**Mandate**”) granted to Board by the shareholders at the AGM for the issue of Shares pursuant to the Post-IPO RSU Scheme. The Mandate authorized the Board to grant RSUs pursuant to the Post-IPO RSU Scheme not exceeding 112,426,480 Shares, representing 4% of the total number of issued shares of the Company as at the date of the AGM (the “**Adoption Date**”). In addition, the total number of Shares which could be issued under the Mandate in any financial year shall not exceed 56,213,240 Shares, representing 2% of the total issued share capital of the Company as at the Adoption Date.

Immediately after the Proposed RSU Grant, the underlying Shares involved would be 95,780,000, which represent approximately 3.41% of the issued share capital of the Company as at the date of this announcement. According to the vesting schedule under the Proposed RSU Grant, the total number of Shares that could be issued at the end of each year from years 2015 to 2019 will not exceed 2% of the total issued share capital of the Company as at the Adoption Date.

Any Share to be issued under the Proposed RSU Grant upon vesting and settlement of the RSUs will rank *pari passu* in all respects among themselves and with all the Shares in issue from time to time.

The Listing Committee of the Stock Exchange has previously granted its approval for the listing of, and permission to deal in, Shares to be issued pursuant to the vesting schedule of any RSUs granted under the Post-IPO RSU Scheme.

(2) NON-EXEMPT CONNECTED TRANSACTION – PROPOSED GRANT OF RESTRICTED SHARE UNITS TO A CHIEF EXECUTIVE OF THE COMPANY

The Board further announces that on 10 July 2015, the Board resolved to conditionally grant 30,000,000 RSUs to Dr. XU Gang (“**Dr. Xu**”), the chief executive officer of the Company, under the Post-IPO RSU Scheme, subject to the approval of the independent shareholders of the Company (the “**Independent Shareholders**”) at a special general meeting (the “**Special General Meeting**”) of the Company to be held to approve the proposed grant of RSUs to Dr. Xu (the “**Proposed RSU Grant to Chief Executive**”) and any transactions contemplated thereunder. The Proposed RSU Grant to Chief Executive is not subject to performance targets, will be made for no consideration and has been approved by the remuneration committee of the Board and the Board.

Subject to the Independent Shareholders' approval of the Proposed RSU Grant to Chief Executive at the Special General Meeting and assuming that no further Shares will be issued or repurchased by the Company prior to the date of the Special General Meeting, the number of Shares that may be issued to Dr. Xu in accordance with and subject to the terms of the Proposed RSU Grant to Chief Executive would be 30,000,000, representing approximately 1.07% of the total issued share capital of the Company as at the date of this announcement, and approximately 1.03% of the total enlarged issued share capital of the Company.

Save as Dr. Xu's interests in the underlying Shares under the Proposed RSU Grant to Chief Executive, Dr. Xu does not have any equity interest in the Company as of the date of this announcement.

Reasons for and Benefits of the Proposed RSU Grant to Chief Executive

Dr. Xu is responsible for the overall management, corporate development and strategic planning of the Company, leading the Group in its next stage of development. The purpose of the Proposed RSU Grant to Chief Executive is to recognize Dr. Xu's contribution to the Group and to incentivize and motivate him to remain with, and to strive for the future development and expansion of the Group through further aligning his interests with the Company. Furthermore, there will not be substantial cash outflow by the Company under the Proposed RSU Grant to Chief Executive.

In this regard, the Directors (excluding the independent non-executive Directors) consider that the terms of the Proposed RSU Grant to Chief Executive are fair and reasonable and in the interests of the Company and the shareholders as a whole.

Listing Rules Implications

As Dr. Xu is a chief executive of the Company, and therefore a connected person of the Company under Rule 14A.07 of the Listing Rules, the Proposed RSU Grant to Chief Executive constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and the Independent Shareholders' approval requirements. The Company has established an independent committee of the Board (the "**Independent Board Committee**"), including all non-executive directors of the Company, to advise the Independent Shareholders in respect of the Proposed RSU Grant to Chief Executive and any transactions contemplated thereunder. The Company has appointed Southwest Securities (HK) Capital Limited as independent financial adviser (the "**Independent Financial Adviser**") to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed RSU Grant to Chief Executive and any transactions contemplated thereunder.

General

An ordinary resolution will be proposed at the Special General Meeting to approve the Proposed RSU Grant to Chief Executive and any transactions contemplated thereunder. A circular containing, among other things, details of the Proposed RSU Grant to Chief Executive, a letter from the Independent Board Committee and a letter from the Independent Financial Adviser together with the notice convening the Special General Meeting will be dispatched to the shareholders on or before 31 July 2015.

On behalf of the Board
BAIOO Family Interactive Limited
DAI Jian
Chairman and Executive Director

Hong Kong, 10 July 2015

As at the date of this announcement, the executive directors of the Company are Mr. DAI Jian, Mr. WU Lili, Mr. LI Chong, and Mr. WANG Xiaodong; the non-executive director of the Company is Mr. JI Yue; the independent non-executive directors of the Company are Ms. LIU Qianli, Mr. WANG Qing and Mr. MA Xiaofeng.